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BEFORE THE ARIZONA CORPORATION COMMISSION
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AZ CORP COMMISSION
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Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF LITTLE PARK WATER COMPANY, INC.
FOR APPROVAL TO INCUR LONG-TERM
DEBT FROM JPMORGAN CHASE & CO.

DOCKET NO. W-02192A-10-0395

PROCEDURAL ORDER

BY THE COMMISSION:

On November 17, 2011, in this docket, the Arizona Corporation Commission ("Commission") issued Decision No. 72667, authorizing Little Park Water Company, Inc. ("Little Park") to incur long-term debt, in the form of a 7-year loan based on a 20-year amortizing schedule in an amount not to exceed \$140,000, at an interest rate not to exceed 7 percent, for the purpose of financing existing arsenic-treatment facilities and reimbursing Little Park for any previously repaid principal of a \$118,000 loan obtained by it from Big Park Water Company, Inc. ("Big Park") in August 2008. The Decision required Little Park to file, within 60 days after execution, copies of all executed financing documents for the loan; to file, by November 30, 2011, a sworn affidavit, with any necessary attachments, explaining each reference to a loan from Chase Bank or any bank (and the interest thereon) described in Findings of Fact No. 27 of the Decision; and, by January 6, 2012, to file a document describing in detail the actions necessary for Little Park and Big Park to merge into and operate as one public service corporation and analyzing the positives and negatives of such a merger. Additionally, the Decision put Little Park "on notice that any future violation of Commission rules, requirements, or orders may result in substantial sanctions and/or fines."

The Decision required the Commission's Utilities Division ("Staff") to review the sworn affidavit, make any follow-up inquiries necessary to determine whether a bank loan had already been obtained by Little Park and, if so, the facts surrounding the loan and whether Little Park had authority to obtain the loan, and to file, by January 30, 2012, a Staff Report including Staff's findings and

1 recommendations concerning whether additional proceedings should be held to explore what had
2 occurred and the possibility of taking adverse action against Little Park if Little Park had already
3 obtained a bank loan without Commission approval. The Decision also required Staff to review and
4 analyze Little Park's filing regarding merger and to file, by March 6, 2012, a Staff Report including
5 Staff's findings and recommendations concerning whether Little Park and Big Park should be
6 combined and what actions would be necessary to make that happen.

7 On November 30, 2011, Little Park filed the sworn affidavit of its President, stating that Little
8 Park had borrowed \$118,000 from Big Park in August 2008, but had never borrowed funds from
9 Chase Bank. The affidavit did not address the references to bank loans and interest identified in the
10 Decision.

11 On December 6, 2011, Little Park filed its executed financing documents, showing that Little
12 Park had, on November 15, 2011, entered into a Business Loan Agreement with and provided a
13 Promissory Note to Sunwest Bank for a \$140,000 loan with an interest rate of 6 percent for the first
14 48 months, but a variable interest rate between 6 percent and 10.25 percent (or the maximum allowed
15 by law) for the 35 months thereafter and a payment of \$109,705.33 due on November 15, 2018. The
16 documents also showed that Big Park and the individual owners of Big Park are all guarantors for the
17 loan.

18 On January 6, 2012, Little Park made its compliance filing describing the actions needed to
19 merge Little Park and Big Park and explaining the positives and negatives of such a merger. Little
20 Park identified more negatives than positives.

21 On January 30, 2012, Staff filed its Staff Report regarding the bank loan references. Staff
22 confirmed that Little Park had not obtained a long-term bank loan without Commission authorization,
23 but had borrowed funds from Big Park, which had obtained the funds via a line of credit with Chase
24 Bank. Staff stated that Little Park had explained that the references to bank loans and interest,
25 regarding which Little Park was required to file an affidavit, had been references to the collective
26 debt of Little Park and Big Park. Staff also determined that Big Park appeared to have existing debt
27 obligations that were initially short-term but remained outstanding for longer than a year, thereby
28 necessitating Commission approval. In addition, Staff stated that the executed documents for Little

1 Park's loan from Sunwest Bank did not conform to the requirements of Decision No. 72667 because
2 they allowed for an interest rate exceeding 7 percent and reflected Little Park's "tak[ing]
3 unauthorized liberties in obtaining [the] loan." Staff expressed concern about Little Park's "apparent
4 reluctance to fully disclose relevant information regarding the transactions surrounding the Big Park
5 loan to Little Park" and Little Park's "continuing practice of failing to comply with Commission
6 orders and regulations and to fully disclose relevant information." Staff recommended that a hearing
7 be conducted "to explore Little Park's and Big Park's commitment to complying with Commission
8 directives and utility regulations and to providing full disclosure of relevant information and other
9 related matters." Staff did not, however, initiate an Order to Show Cause against Little Park and Big
10 Park or recommend that any other adverse action be taken against Little Park in this matter.

11 On February 8, 2012, Little Park filed a Response to Staff Report, asserting that Little Park
12 believed its prior affidavit had been fully responsive, providing a "Supplemental Affidavit of Stevan
13 Gudovic" to explain the four bank loan/interest references, and stating that Little Park intended either
14 to request that the Commission waive the 7-percent maximum interest cap from the Decision or to
15 refinance the loan if Sunwest Bank determines after four years that the interest rate on the loan will
16 be increased. Little Park also advocated for Little Park and Big Park to remain separate, again setting
17 forth the perceived negatives that would result from their merger.

18 On March 6, 2012, Staff filed its Staff Report regarding a merger of Little Park and Big Park.
19 Staff stated that it also opposed a merger of Little Park and Big Park because, in Staff's view, "the
20 ability for customers to economically receive safe, adequate and reliable service is the overriding
21 factor for determining whether Little Park should merge into Big Park"; Little Park has a good
22 history of providing safe, adequate, and reliable service; Little Park had no current outstanding
23 delinquencies; and Little Park's opposition to a merger should be given significant consideration.
24 Staff recommended that the Commission take no action to require Little Park to merge into Big Park
25 as long as both are economically providing safe, adequate, and reliable service.

26 No further filings were made in this matter after the March 2012 Staff Report.

27 On October 4, 2013, in Docket No. W-02192A-13-0336, Little Park filed a permanent rate
28 case application. In Decision No. 74399, issued in that docket on March 19, 2014, the Commission

1 granted Little Park a permanent rate increase. In Decision No. 74399, the Commission found that
 2 Little Park's rate application showed that Little Park had obtained a loan from Southwest Bank,¹ with
 3 an interest rate of 6 percent, and an outstanding balance of \$134,658. The Commission also found
 4 that Little Park had no delinquent compliance items with the Commission's Compliance Section.

5 Because Little Park has completed a permanent rate case since the Decision was issued in this
 6 matter; no evidence of noncompliance with Decision No. 72667 was offered or discovered in that
 7 permanent rate case; and both Little Park and Staff oppose any requirement for merger of Little Park
 8 and Big Park, it is reasonable and appropriate to administratively close this docket at this time.

9 IT IS THEREFORE ORDERED that Docket No. W-02192A-10-0395 is hereby
 10 administratively closed.

11 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
 12 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
 13 hearing.

14 DATED this 30th day of April, 2014.

15
 16 
 17 SARAH N. HARPRING
 ADMINISTRATIVE LAW JUDGE


18 Copies of the foregoing mailed/delivered
 19 this 30th day of April, 2014, to:

20 Stevan Gudovic, President
 21 LITTLE PARK WATER COMPANY, INC.
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By: 
 Tammy Velarde
 Assistant to Sarah N. Harpring

28 ¹ This appears to be a typo, as the application shows that Little Park obtained a loan with Sunwest Bank.